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BEFORE THE ARIZONA CORPORAT

COMMISSIONERS

BOB STUMP, CHAIRMAN
GARY PIERCE
BRENDA BURNS
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Arizona Corporation Commission

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ARIZONA CORPORATION COMMISSION
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IN THE MATTER OF THE COMMISSION'S
INQUIRY INTO RETAIL ELECTRIC
COMPETITION.

DOCKET NO. E-00000W-13-0135

NAVOPACHE ELECTRIC COOPERATIVE,
INC.'S COMMENTS AND REPLY

Navopache Electric Cooperative, Inc. (Navopache), by and through Counsel undersigned, hereinafter submits its responses in the above Docket on the issue of retail competition and deregulation in the State of Arizona now pending before the Commission. Navopache joins and supports the comments filed by the Grand Canyon State Electric Cooperative Association, of which it is a member, in opposition to the implementation of electric utility deregulation and the introduction of retail competition in the areas certificated to Navopache by the Arizona Corporation Commission. The following are additional comments.

1. Residential customers in retail competition jurisdictions pay more:

In an uncontroverted study commissioned by the non-jurisdictional American Public Power Association dated April of 2013, the study examined the residential price impact history of retail competition in states which were regulating and not regulating retail competition. The conclusion of that study which has been not controverted by any filings before this Commission, concluded ratepayers in states with retail competition pay three cents (\$0.03) more per kilowatt-hour.

1 Conclusion:

2 In an economic depression it is illogical for this Commission to launch the
3 State of Arizona into retail competition and deregulation of the electric utility industry and expose in
4 a “trial balloon” Arizona residential customers to a probability of accelerated increased rates. The
5 approximately two thousand (2,000) municipal electric entity members of the American Public Power
6 Association are predominately and primarily concerned with delivering low-cost electricity to their
7 citizen taxpayer and residential customers. The study by that group shows retail competition cost
8 ratepayers more than regulation.

9 2. Texas is a disaster waiting to happen:

10 Data and information from Texas indicate that deregulation has critically
11 jeopardized reliability of its electric grid. No one in Texas wants to invest in the generation required
12 to provide Texas with a reliable system. Consequently, the Texas electric system reserves which are
13 essential to the operation of a reliable electric system are not being created or maintained. Texas is
14 an energy based deregulated state without any regard to a capacity investment incentive. Witness its
15 historic blackout. Witness the correspondence from NREC to the ERCOT advising Texas that it is in
16 a perilous state concerning electric system reliability.

17 Conclusion:

18 Why would the Arizona Corporation Commission want to gamble and put into
19 jeopardy what is today a vibrant, healthy and reliable Arizona electric utility system that delivers
20 affordable electricity. Retail competition will be a ridiculous, risky and almost impossible bet with
21 customer money.
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1 3. No other Rocky Mountain state has ventured into deregulation:

2 The proponents of retail competition and deregulation would like the State of
3 Arizona to be pushed into being the leading regional deregulated electric utility state and to be the
4 first in the Rocky Mountain west to “experiment” with retail competition. To date there is no retail
5 competition success story in any state similar in circumstance to Arizona. There is no current
6 example that yet proves deregulation and retail competition works for the residential customers.
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8 4. Creation of a regional transmission organization or an independent scheduling
9 organization will only add unneeded cost and will divest the Commission and the state of essential
10 utility jurisdiction:

11 In order to implement deregulation and retail competition, there will have to be
12 utility asset divestiture and probably the creation of a Regional Transmission Organization (RTO) or
13 an Independent Scheduling Operator (ISO) which would be multi-state. It is without question that in
14 every state where this type of organization has been created, residential prices of electricity have
15 increased to the consumer and a bureaucratic overhead in the hundreds of millions of dollars has been
16 created for governance. Also, according to recent Federal Energy Regulatory Commission rulings
17 (FERC), the peculiarities and the unique generation supply and transmission situations that are
18 required within a state and are of state concern, are to be disregarded in the operation of an RTO and
19 an ISO. This loss of state sovereignty in making decisions on utility supply and transmission and
20 generation investments and the pricing of electricity to residential customers is tragic and to be
21 avoided. Deregulation and retail competition today is risky, unwise, and not justified under current
22 conditions of electric pricing for consumers in the State of Arizona and the adequate electric
23 reliability of electric utilities in the State of Arizona.
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1 5. Non-Jurisdictional municipalities will be adversely impacted, as will their
2 customers:

3 Because of the complex wholesale power and transmission contractual
4 relationships among non-jurisdictional entities in the State of Arizona with regulated Arizona utility
5 public service corporations, the cascading and catastrophic cost increases resulting from the
6 imposition of an RTO or an ISO, the loss of reserves and system reliability, and the failure to find
7 new generation investment will all work ultimately to the adverse economic circumstances of non-
8 jurisdictional municipal entities in the State of Arizona.

9 6. Look who is asking for deregulation and retail competition:

10 The proposal is all about the money. It is not about bringing lower cost to
11 residential consumers, but about bringing opportunistic lower cost to the mines, major industries and
12 national conglomerate business organizations, such as the Wal-Marts and the Costcos.

13 Conclusion:

14 Why should the Arizona Corporation Commission make Arizona the first state
15 in the Rocky Mountain region to introduce retail competition and deregulation when it has not been
16 adequately proven to be a success nationwide for residential customers? In a presentation by the
17 “Merchant” Constellation Energy at the Tempe Buttes Hotel about two years ago, the Constellation
18 representative admitted for competition in Arizona there would be a necessity for distribution rate
19 cases across the entire spectrum of electric utilities in the State of Arizona in order to accomplish the
20 following:
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22 (a) First, fully allocate the distribution infrastructure cost of each
23 distribution utility (something which raises customer electric rates and is such
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1 a drastic event the Arizona Corporation Commission and its Staff have
2 hesitated and been reluctant in the past to implement);

3 (b) Second, take into account divestiture of generation and introduction of
4 RTO/ISO operations and turn over transmission to FERC;

5 (c) Third, abdicate Arizona Corporation Commission responsibility for
6 Arizona electric system reliability to NERC and FERC. Issues of new
7 generation need and pricing, and need and pricing of transmission and
8 electricity will not be subject to state control, but will be a matter of federal
9 and regional control.

10 If retail competition and electric deregulation achieving lower residential rates and
11 improved electric system reliability is to eventually occur in Arizona, let it be first clearly and
12 completely and honestly demonstrated to have been successfully implemented in other jurisdictions
13 before the State of Arizona embarks on a path and a bet that puts at risk some of the main ingredients
14 of public health, safety and welfare, lessened reliability and increased costs to the residential
15 consumer.
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RESPECTFULLY SUBMITTED this 15 day of August, 2013.

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PROOF OF AND CERTIFICATE OF MAILING

I hereby certify that on this 15 day of August, 2013, I caused the foregoing document to be served on the Arizona Corporation Commission by delivering the original and thirteen (13) copies of the above to:

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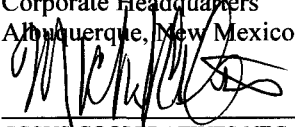
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